

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 10th July 2020



MACRO

- Rishi Sunak's summer statement unveiled another £30bn stimulus package and was generally well received
- In the US, coronavirus cases continue to rise in the South and West and state governors are under pressure to make the wearing of masks mandatory
- The European Commission downgraded its economic forecasts for the Eurozone and now expects the region to contract 8.7% this year

STATISTIC OF THE WEEK

Following another big move upwards this week in the new world economy technology stocks, the "big five" - Amazon, Apple, Microsoft, Alphabet and Facebook - now have a cumulative market capitalisation of just under \$6.6 trillion

COMPANY NEWS

- Warren Buffet's **Berkshire Hathaway** made its first acquisition in some time, purchasing natural gas pipeline and storage assets from **Dominion Energy** paying \$4billion whilst assuming an additional \$5.7billion in debt
- **Persimmon** showed first half revenues down 32%, forward sales robust, and no impact as yet on pricing
- **Walmart** closed up on the week after reporting it was introducing a competitor to Amazon Prime. The service called Walmart+ will cost \$98 per year and include same day delivery of groceries and general merchandise.

FUNDS

We had updates from two European equity funds that owned shares in **Wirecard** before the alleged fraud was uncovered. Both stated that, despite warning signs, they had been reassured by the CEO owning a significant number of shares in the company and therefore his interests being aligned with shareholders. Another European equity manager, however, is on record as having said "there were more red flags than a communist party rally"

SMALL-CAP NEWS

Boohoo: guilty until proven innocent. One of the darlings of the AIM market in recent years was questioned about the work practices attributed to factories in its supply chain. This resulted in a 50% decline in the share price. A further announcement declaring no evidence of malpractice cancelled out 25% of this fall. A timely reminder of the analysis that is needed in focusing on ESG considerations

THIS WEEK IN HISTORY

1785: The United States formally adopts the term dollar as the name of its currency. The previous currency, the "Continental" was used during the Revolutionary war, but due to high inflation had been rendered nearly worthless.

2004: The 7/7 bombings in London resulting in a tragic loss of life by commuters on the public transport system. The FTSE 100 Index fell by about 200 points during the two hours after the first attack but recovered into the close.

RE-OPENING TIMES

Figures from the UK rail network show passenger numbers still at only 13% of normal levels, with many people still not yet returning to work. While the empty trains run uncharacteristically smoothly with very few passengers, the chief executive of Transport Focus has likened it to a "beautiful model railway"

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-0.99	-3.72	-17.32	8.96
World Equities (% return GBP)	-0.02	0.59	3.65	79.73
10 Year US Treasury Yield	0.65	0.75	2.07	2.42
GBP / USD (fx rate)	1.26	1.27	1.25	1.55

As at 10th July 2020. Source: Financial Express

Vermeer Partners

130 Jermyn Street, London, SW1Y 4UR

T +44 (0)20 7123 5200

E info@vermeerllp.com

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